

PRIME MINISTERMeeting with the Chancellor

Although all the decisions have now been taken on the budget, I expect the Chancellor will want to discuss it - and in particular its presentation. He may bring with him a draft of his budget speech; if not, I have asked if he would go over its general structure and flavour with you. The Treasury have in any case promised to let us have a draft by tomorrow night so that, if you have any major comments, they can work on them over the weekend.

I think we are most vulnerable on the combination of: abolition of the reduced rate band, the indexation of short-term benefits, strikers' benefits, and child benefit. Although the capital tax package was modified (and of course very much smaller than the Chancellor had originally proposed) this too could cause trouble. On the other hand, there are certainly some good things: in particular, the public expenditure plans in total and the medium-term financial strategy. And, of course, there is another side to the social security cuts and strikers' benefits - the "why work" syndrome and reducing the taxpayer's burden for those who can't or won't work. It is crucial that these positive aspects are brought out.

I have not been warned of any specific points which the Chancellor wants to raise.

T.P.L.

19 March 1980